

PPE 160
Freedom, Markets, and Well-Being
MW 2:45, Pearsons 202

Fall 2010
E. Brown and M. Green

Office hours for Brown: Thursdays, 9:00-noon and by appt., Carnegie 216, x72810.
Office hours for Green: Thursdays, 2-4 and by appointment, Pearsons 207, x70906.

Course Overview

In this course, we bring together scholarship from philosophy, politics and economics to study the philosophical underpinnings and social institutions of contemporary American society and the world in which it operates. Working across disciplinary boundaries, we examine scholarship that seeks to describe the liberties, freedoms and safeguards that promote human flourishing and that looks carefully at the roles played by market economies and political institutions in the construction of contemporary society.

One of the themes of inquiry will concern equality, and the circumstances under which inequality arises over time within constructs of a just society. Locke, Dworkin, and Nozick weave markets into their conceptions of a well-governed society, and in each case, the result is material inequality that is not seen as unjust. Another theme is the interplay of institutions: what aspects of life are best handled through markets, by government, or in the sphere of personal relations? A third line of inquiry explores the notion of human well-being, from economists' theoretical notion of utility to philosophical arguments for objective standards to the empirical literature on the economics of happiness.

While such an intellectual feast deserves to be celebrated as such, one specific purpose of the course is to develop in students a familiarity and facility with cross-disciplinary thinking and analysis. For PPE majors, the course in its reading list and also in its habits of thought is designed to prepare students to write a senior thesis that crosses disciplinary boundaries and brings the insights of abstract and wide-ranging scholarship to bear on specific issues, often issues of public policy. With this in mind, we turn at this point in the semester to one of the richest areas of contemporary domestic policy debate, the provision of health care. As part of this section of the course, we will read a PPE senior thesis that recently won the PPE department's Politea prize for best thesis.

Coursework and grading: All students enrolled in this course are expected to do the assigned reading, to attend class regularly, and to participate thoughtfully in class discussions.

Over the course of the term, there will be five short (three-page) paper assignments. The topics are chosen to give you practice making connections, distinctions, criticisms and connections across texts, methodologies, and disciplines. The lowest grade will be thrown out. If your fall schedule has a particularly hectic moment and you want to skip writing one of the assigned essays altogether, that is an acceptable way to use your lowest-grade-doesn't-count option.

In addition, each student will write a paper and make a presentation of it to the class. For PPE majors, this paper will take the form of a thesis prospectus. A thesis prospectus is a detailed

three- to five-page document designed to convince its readers that your idea for a thesis is both worthy and feasible. It states your research topic, why it is important, how you will go about tackling it, and what sorts of conclusions it might reach. It makes clear the ways in which the thesis spans at least two of the PPE disciplines, one of which is your field of concentration within the PPE major. Appended to it is an annotated bibliography. The annotations should demonstrate your familiarity with the relevant scholarly research and methodological tools. Students who are not PPE majors will write a normal paper. We strongly suggest that it be on some aspect of federal health care reform, but the ultimate choice lies with you, subject to our approval. This exercise, with both oral and written components, will be given twice the weight of a three-page paper in determining your baseline grade.

In short, a student's preliminary course grade is determined as:

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| * four best three-page papers | 1/6 of final grade each, 2/3 of final grade |
| * prospectus and presentation | 1/3 of final grade |

This is a baseline grade. Unless a student has behaved badly, the final grade will be no lower than the (rounded-off) grade calculated here. A student's grade may rise as much as a half grade (e.g. from a B+ to an A-) in recognition of consistent and thoughtful participation in class, or other relevant mitigating circumstances that clearly suggest to the professors that the baseline grade underestimates the student's demonstrated command of the course material.

Materials

Almost all of the readings will be made available as pdf files in the Resources section of the Sakai site for this course. The exception is Richard Thaler and Cass Sunstein's book, *Nudge: Improving Decisions About Health, Welfare, and Happiness* (Yale University Press, 2008; Penguin paperback, 2010).

Announcements, paper topics, notes on class sessions and the readings will be posted on the Sakai site for this course: <http://sakai.claremont.edu/>.

Course Outline

This outline constitutes a plan rather than a binding contract. If we get off track, we will let you know at the end of each class period what we will be covering in the next couple of classes. It is your responsibility to keep track of divergences from the schedule presented here.

<i>Date</i>	<i>Topic</i>
September 1	<i>Introduction.</i> We present the syllabus and some of our expectations for the course.
September 6	<i>Freedom and property.</i> In order to have markets, you have to have property rights: without property rights, there are no rights to exchange

things in a market. We will begin with John Locke's classic statement of the origins of property and government. In particular, we will be concerned with the limits that Locke puts on the ability to acquire property, such as the requirement that there be enough left for others. The Gibbard article notes that ownership limits liberty: owners have rights to exclude others from using the things they own. So how does the right to acquire property work? Remember, it has to both enhance the owner's rights and reduce those of everyone else. Gibbard considers two different versions of a right to acquire property and argues that neither supports the acquisition of unlimited property rights.

Reading (1) John Locke, *Second Treatise of Government*, Ch. 5. (2) Allan Gibbard, "Natural Property Rights", *Noûs* 10 (1976), pp. 77–86.

September 8

Distributive justice and equality. Locke tried to move from facts about what all human beings are like to conclusions about how they ought to treat one another. The argument isn't compelling without theological assumptions. Williams seeks to improve on Locke by showing that some kinds of inequality are irrational because they fail to reflect the factual equality of human beings. We will be particularly interested in his discussion of distributive justice on pp. 239-49. Williams's claim is that the nature of goods like health care and education determines their proper distribution and that the proper distribution could be considerably different than what a free market would produce. What does that mean? Do goods have natures and do we have to care about them?

Robert Nozick criticizes Williams for failing to establish his point and for reaching conclusions that objectionably limit liberty. Nozick asks some good questions about Williams's argument and, by extension, a lot of commonsense thinking about how the economy should work.

Reading (1) Bernard Williams, "The Idea of Equality," in: *Problems of the Self* (Cambridge University Press, 1973), pp. 230–249. (2) Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books 1974), pp. 232-8.

September 13

Markets and values. Anderson believes that goods differ in nature and that trading certain goods in markets has toxic social consequences. Anderson identifies three spheres of resource allocation: government, markets, and personal networks. She argues that the norms governing these spheres are different, and that the characteristics of something we value suggest which set of norms is appropriate to its allocation.

Reading Elizabeth Anderson, *Value in Ethics and Economics* (Harvard University Press, 1993) Ch 7, pp. 141-167.

- September 15 *Rawls on Justice*. Rawls uses a contract theory to answer questions about the proper relationship between freedom and equality. We will talk about how this approach differs from natural rights theories, like Locke's and Nozick's, and those that appeal to the nature of people and goods, like Williams's and Anderson's. We will also discuss the heavy use that Rawls makes of ideas from economics.
- Reading* John Rawls, *A Theory of Justice*, (Harvard University Press, 1971), §§1-4, 10-15.
- September 20 *Dworkin's reconciliation of equality and markets*. Can we reconcile the idea of equality, as articulated by Williams, with the concern for liberty and economic decisions that his critics emphasize? Ronald Dworkin claims to have done just that. He claims that the only fair way to determine what goods are worth is to have a market (strictly speaking, an auction). In this way, equality is defined by a market. His approach is like Rawls's in two respects. It asks what people would have chosen in a hypothetical situation. It also draws on economics. We will begin with some basic welfare economics, including economic definitions of envy and fairness.
- Reading* (1) Richard Tresch, "The Social Welfare Function and the Quest for Distributive Justice," pp 59-78 in *Public Sector Economics*; (2) Hal Varian, "Welfare," pp 597-600 in *Intermediate Microeconomics*; (3) Ronald Dworkin, "What is Equality? Part 2: Equality of Resources", *Philosophy & Public Affairs* 10:4 (Autumn 1981), pp. 283-345.
- September 22 Last time, we discussed Dworkin's argument for the centrality of markets. Alas, it isn't so simple. There is an important class of goods whose distribution should not be determined by the market (auction). For these goods he thinks a hypothetical insurance market is called for. Of course, the auction is hypothetical too. The insurance market is doubly hypothetical because it involves imagining what people would choose if they were deprived of significant information about themselves.
- Reading* Dworkin, "What is Equality," especially pp. 292-345.
- September 27 *Consent and medical egalitarianism*. Menzel's big idea is that social decisions about what level of health care to provide should reflect the choices that people would make. For instance, how much would they choose to spend on health care and what kinds of care would they choose to buy? In addition to discussing this general approach, we will talk about how he uses it to oppose medical egalitarianism.
- Reading* Paul Menzel, *Strong Medicine*, (Oxford University Press, 1990). Preface, Ch. 1-2, Ch. 7.

- September 29 *Imperfect markets.* Rather than distinguish among the natures of goods, the natures of spheres of exchanges, or the natures of luck, Arrow distinguishes among the characteristics of market structures.
- Reading* Kenneth Arrow, “Uncertainty and the Welfare Economics of Medical Care,” *American Economic Review*, vol. 53 no. 5 (Dec. 1963), pp 941-973.
- October 4 *Emulating efficient markets.* When efficient markets fail to materialize, one option is for the state to try to emulate the behavior of an efficient market. The tool for such an exercise is cost-benefit analysis.
- Reading* Robert Frank, “Why Is Cost-Benefit Analysis so Controversial?” in M. Adler and E. Posner, eds., *Cost-Benefit Analysis: Legal, Economic, and Philosophical Perspectives* (Chicago: University of Chicago Press, 2001), pp 77-94.
- October 6 *Objecting to the market equilibrium.* Nussbaum distinguishes among types of choices available in one’s choice set. Some are tragic and some are not, depending on such things as duty. Perhaps the state can steer us away from situations involving tragic choices.
- Reading* Martha Nussbaum, “The costs of tragedy: Some moral limits of cost-benefit analysis,” in M. Adler and E. Posner, eds., *Cost-Benefit Analysis: Legal, Economic, and Philosophical Perspectives* (Chicago: University of Chicago Press, 2001), pp 169-200.
- October 11 *Cost-benefit analysis and health care.* How do we quantify the benefits of health care? In particular, how do we compare treatments that extend life with those that improve its quality? The standard way of tackling this problem is to define quality-adjusted life years (QALYs). Menzel describes these and some of the problems they face.
- Reading* Menzel, *Strong Medicine*, chapter 5.
- October 13 *Sample thesis.* This is a prize-winning PPE thesis. What makes it good?
- Reading* Rose Ehler, “Technology, Ethics, and Regulation: A Case Study of the Market for Gestational Surrogacy.” Senior Thesis, Pomona College.
- October 20 *Student project/thesis ideas.* Your final project for this course is to write a prospectus for a PPE thesis. A PPE thesis is original scholarly work on a topic of interest and substance the exploration of which draws on at least two of the constituent PPE fields. A prospectus outlines the project, states why it is important, how it will be pursued,

what sorts of implications its results might have, and gives a smattering of the references that will be consulted. Bring your idea for a project/thesis to class. What's your idea? Note that thinking about how to improve others' ideas is often a wonderful way of gaining perspective on your own. Hint, hint.

- October 25 *The human (or a Western) experience of fairness.* We've seen how some really smart people conceive of fairness. How closely do the intuitions of professional academics match the beliefs of the general public? What should we think about the academics' theories if they don't match?
- Reading* James Konow, "Which is the fairest one of all? A Positive analysis of justice theories," *Journal of Economic Literature*, vol. 41 no. 4 (Dec. 2003), pp 1188-1239.
- October 27 *Experienced utility.* The classical notion of utility is excess of pleasure over pain, experienced through time. As we did last time, we will ask about the relationship between this theoretical idea and what people actually believe. What does modern evidence suggest? And does money make us happy?
- Reading* Daniel Kahneman and Alan B. Krueger, "Developments in the Measurement of Subjective Well-Being", *Journal of Economic Perspectives* 20:1 (2006), pp. 3–24.
- November 1 *Utility theory.* Both philosophy and economics theorize about human well-being. At some point, data intrude. The economists' model of well-being is generally one of self-centered maximization of utility subject to stable preferences. Sunstein and Thaler discuss the experimental evidence on how closely human behavior fits the model.
- Reading* Richard H. Thaler and Cass R. Sunstein, *Nudge*, (Yale University Press, 2008; Penguin paperback, 2010). Part I, pp. 1–100.
- November 3 *Policy implications of human foibles.* Thaler and Sunstein advocate the design of "choice architecture" to improve outcomes while respecting liberty. We will read the parts of their book that describe specific uses of this general idea.
- Reading* *Nudge*, parts II through IV, pp. 105-228.
- November 8 *Political libertarians vs. libertarian paternalism.* Thaler and Sunstein offer a surprising description of their position as "libertarian paternalism." It's paternalistic because it involves government action meant to influence people's choices for their own good. It's libertarian, they claim, because it leaves it open for people to choose otherwise.

Many libertarians are unenthusiastic about welcoming them to their club. They think that the government should almost never have the power to engage in paternalism of any sort. Glaeser's worries about slippery slopes and the abuse of power represent this position. Thaler and Sunstein, in turn, reply to his objections.

Reading (1) Edward Glaeser, "Paternalism and Psychology," *Chicago Law Review* vol. 73 no.1 (2006), pp 133-156. (2) Thaler and Sunstein, *Nudge*, chapters 17-18, pp. 236-53.

November 10 *An objective account of well-being.* A further step down the slope of paternalism leads from the observation that sometimes people make unfortunate choices to the claim that we know what's good for people without asking their opinion. Martha Nussbaum criticizes the ways of measuring well-being, and, by extension, notions of economic development, that are standard in economics. In place of subjective measures such as feelings of pleasure or the satisfaction of desires or preferences, she argues that there are some objective standards of well-being. First, how does she argue for her list of objective goods? (Hint: look for discussions of what is distinctively human). Second, what do we think of her list of objective goods?

Reading Martha C. Nussbaum, "Human Functioning and Social Justice: In Defense of Aristotelian Essentialism", *Political Theory* 20 (1992), pp. 202-46.

November 15 *Health care policy in the United States:* The Blumenthal and Stevens articles lay out the history of the health care system in the US: Blumenthal focuses on the private sector while Stevens says more about the public sector. Kotlikoff gives an unsettling projection of its future as of 2007.

Reading (1) David Blumenthal, "Employer-sponsored health insurance in the United States — origins and implications" *New England Journal of Medicine* (2006). (2) Rosemary Stevens, "History and Health Policy in the United States: The Making of a Health Care Industry, 1948-2008," *Social History of Medicine* (2008), 461-83. (3) Kotlikoff, "Driving off a cliff," ch. 1 in *The Healthcare Fix*, pp. 1-15.

November 17 *Health care reform: The Oregon Medicaid experiment with rationing.* Utilitarianism proposes that society organize itself to provide the greatest good to the greatest number. In the late 1980s, the state of Oregon considered rationing care to Medicaid recipients in order to provide Medicaid to a greater number of poor persons. The idea was to rank medical procedures according to cost-effectiveness, and to provide the most efficient procedures, stopping wherever the budget ran out. The transparency of this project would let voters know exactly

how parsimonious the budget was. How was this project received? Tengs reports on the public reception while Daniels replies philosophically. Does Daniels share Nussbaum's essentialism?

Reading (1) Tammy Tengs, "An evaluation of Oregon's Medicaid rationing algorithms," *Health Economics* vol. 5 (1996), pp 171-181. See especially pages 171-175. (2) Norman Daniels, "Justice and health care rationing: Lessons from Oregon," in Martin Strosberg, Joshua Wiener, Robert Baker, and I. Alan Fein, eds., *Rationing America's medical care: The Oregon plan and beyond*, (Washington, DC: Brookings Institution, 1992), pp 185-195.

November 22 *Health care reform: the Massachusetts experience with universal coverage.* What are the lessons from Massachusetts that can inform our expectations for and implementation of the new federal health care reform?

Reading Sharon K. Long and Karen Stockley, *Health Reform in Massachusetts: An Update as of Fall 2009*

November 24 Wednesday afternoon before Thanksgiving—no class.

November 29,
December 1, 6, 8 *Student presentations.* PPE majors write a thesis prospectus and present it to the class. Tell us what question you're going to answer and how you're going to go about answering it. Bring a one-page handout to help you to cover your ground quickly without losing people. The seminar will ask you questions. You'll get out everything you wanted to say in answering those questions. Plus, there will be lots of helpful advice. Non-PPE majors will present their papers, the topics for which will have been approved by at least one of us well in advance.